

**REPORT OF THE AUDIT OF THE
DAVIESS COUNTY
CLERK**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE 502.564.5841
FACSIMILE 502.564.2912**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
DAVISS COUNTY CLERK

For The Year Ended
December 31, 2009

The Auditor of Public Accounts has completed the Daviess County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Daviess County Clerk had total receipts of \$18,811,922, which was a \$1,563,476 decrease from the prior year. Except for reimbursed expenses in the amount of \$78 the clerk paid 25% of receipts to the Daviess County Fiscal Court in the amount of \$518,358. This was a decrease of \$14,921 from the prior year. In addition, 75% account disbursements decreased by \$176,217.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Louis Reid Haire, Daviess County Judge/Executive
Honorable David "Oz" Osborne, Daviess County Clerk
Members of the Daviess County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Daviess County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2009. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 20, 2010 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Louis Reid Haire, Daviess County Judge/Executive
Honorable David "Oz" Osborne, Daviess County Clerk
Members of the Daviess County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Daviess County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 20, 2010

DAVIESS COUNTY
DAVID "OZ" OSBORNE, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

State Fees For Services	\$	39,031	
Fiscal Court			25,137
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	3,094,709	
Usage Tax		7,147,326	
Tangible Personal Property Tax		6,678,131	
Lien Fees		39,272	
Other-			
Fish and Game Licenses		6,811	
Marriage Licenses		26,774	
Occupational Licenses		442	
Beer and Liquor Licenses		6,050	
Deed Transfer Tax		248,337	
Delinquent Taxes		675,656	17,923,508
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		48,360	
Real Estate Mortgages		170,142	
Chattel Mortgages and Financing Statements		185,756	
Powers of Attorney		5,268	
All Other Recordings		115,180	
Charges for Other Services-			
Affordable Housing Trust		108,480	
Candidate Filing Fees		1,600	
Copywork		28,319	
Title Preparation, Notary, Dealer Reports		132,425	795,530
Other:			
Postage		14,083	
Fax, Miscellaneous		5,840	
Redeposits		4,669	24,592
Interest Earned			4,124
Total Revenues			18,811,922

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
 DAVID "OZ" OSBORNE, COUNTY CLERK
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 2,166,235

Usage Tax 6,923,543

Tangible Personal Property Tax 2,180,755

Licenses, Taxes, and Fees-

Fish and Game Licenses 6,448

Delinquent Tax 78,406

Legal Process Tax 75,758

Affordable Housing Trust 108,480 \$ 11,539,625

Payments to Fiscal Court:

Tangible Personal Property Tax 776,547

Delinquent Tax 86,618

Deed Transfer Tax 235,920

Occupational Licenses 287

Beer and Liquor Licenses 5,653 1,105,025

Payments to Other Districts:

Tangible Personal Property Tax 3,471,100

Delinquent Tax 299,301 3,770,401

Payments to Sheriff

52,267

Payments to County Attorney

93,163

Other:

Auto Refunds 9,603

Overpayments 2,118

Miscellaneous 293

Bad Debt 5,130 17,144

Total Expenditures

\$ 16,577,625

Net Revenues

2,234,297

Payments to State Treasurer:

75% Operating Fund 1,715,939

25% County Fund 518,358 2,234,297

Balance Due at Completion of Audit

\$ 0

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
 DAVID "OZ" OSBORNE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2009

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2009	\$ (34,919)	\$	\$ (34,919)
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	1,715,939		1,715,939
Fees Paid to State - County Funds (25%)		518,357	518,357
Total Funds Available	1,681,020	518,357	2,199,377
<u>Expenditures</u>			
Daviess County Fiscal Court		518,357	518,357
Personal Services-			
Official's Statutory Maximum	96,139		96,139
County Clerk's Expense Allowance	3,600		3,600
Official's Training Incentive Pay	2,646		2,646
Deputies Salaries	911,100		911,100
Employee Benefits-			
Employer's Share Social Security	73,666		73,666
Employer's Share Retirement	149,600		149,600
Employer's Paid Health Insurance	255,167		255,167
Supplies and Materials-			
Office Supplies	14,511		14,511
Other Charges-			
Conventions and Travel	7,052		7,052
Dues	35		35
Equipment Rental	19,391		19,391
Gasoline	790		790
Imaging and Indexing	10,441		10,441
Insurance	6,430		6,430
Literature	2,423		2,423

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
 DAVID "OZ" OSBORNE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures (Continued)</u>			
Other Charges- (Continued)			
Maintenance and Repairs	\$ 7,226	\$	\$ 7,226
Miscellaneous	20,946		20,946
Parking	9,600		9,600
Postage	2,913		2,913
Recording Supplies	11,263		11,263
Telephone	5,653		5,653
Capital Outlay-			
Furniture and Equipment	2,350		2,350
Office Equipment	2,818		2,818
Total Expenditures	1,615,760	518,357	2,134,117
Fund Balance - December 31, 2009	\$ 65,260	\$ 0	\$ 65,260

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2009

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

DAVISS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Daviess County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Daviess County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Libraries and Archives Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$26,517. Additional receipts consisting of interest in the amount of \$20 were received during calendar year 2009. The unexpended grant balance was \$26,537 as of December 31, 2009.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Louis Reid Haire, Daviess County Judge/Executive
Honorable David "Oz" Osborne, Daviess County Clerk
Members of the Daviess County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements - regulatory basis of the Daviess County Clerk for the year ended December 31, 2009, and have issued our report thereon dated August 20, 2010. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Daviess County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Daviess County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Daviess County Clerk's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Daviess County Clerk's financial statements as of December 31, 2009, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Daviess County Fiscal Court, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 20, 2010

